

So in 1964 Interior raised its estimates of Canadian imports by a whopping 30,000 barrels a day. Even so, Canadian imports exceeded this by another 17,000 barrels per day.

In 1965, the Department jumped the "estimate" an additional 28,000 barrels daily. What happened? Canadian oil met the allowed increase and topped it by another 13,000 barrels per day.

In 1966 the "estimate" was again raised by 25,000 barrels per day for a total of 335,000 barrels daily. Once again Canadians revealed their disdain for this informal arrangement and exceeded the estimate by some 38,000 barrels per day.

In 1967, the "estimate" was raised to 370,000 barrels a day, and imports totaled 449,000 barrels a day—an average of almost 80,000 barrels daily at the expense of domestic producers.

The first four months of 1968 indicate this year will result in the most flagrant abuse of this Program deficiency yet experienced. The Interior estimate was raised again to 415,000 barrels daily, while during the first four months importers averaged 501,000 barrels daily for an excess at the expense of domestic producers of some 86,000 barrels per day.

All of these excesses permitted during the history of the Program are outside the 12.2 ratio. Yet the Secretary of Interior has repeatedly declared that this guideline will remain inviolate without new Congressional directives. In appearing before this Committee recently he based his assurances that no new legislation is required on the erroneous claim that he is honoring and will honor the 12.2 ratio limit. Because of this particular program loophole among others, the Secretary was not providing this Committee with an accurate picture—and hence his assurances that the Program is successful in terms of purpose, and that no new legislative mandates are necessary, should not be taken at face value.

2. *Proposed Bonus Quotas for Low Sulphur Residual Fuel Processors in Districts I-IV.*—The Department of Interior's current proposal to provide bonus oil import quotas for importing companies which manufacture or blend low sulphur residual fuel constitutes an even more serious threat to the Program's purpose and renders meaningless the supposed 12.2 ratio limit. By the Department's own estimate, this plan would lead to additional District I-IV crude oil import quotas outside of the 12.2 ratio provision equivalent to approximately one-third of the current authorized total. In its release announcing the proposal on May 24, 1968, the Department stated:

"Oil imported as credit (bonus oil) for the manufacture of low sulphur residual fuel oil would not be within the overall 12.2 percent limitation on imports into Districts I-IV. The volume of credit imports, within several years, is anticipated to be about 300,000 barrels daily, with a corresponding decline in other imports of residual fuel oil."

The most onerous feature of the proposal provides that participating importing companies are authorized bonus crude oil quotas in amounts and type varying according to what oil sources and processes are used for making low sulphur residual fuel. Essentially, bonus quotas are more generous for those companies using domestic or Western Hemisphere residual fuel. Ostensibly, this is to benefit the domestic producer and Venezuela, the more secure sources of oil supply for the U.S.

If this is the case, then there is no logic in providing restriction-free crude oil bonus quotas. Apparently, the participating importers can draw on financially desirable but insecure Eastern Hemisphere crude supply for his bonus oil. Thus, Mideast oil sources, along with the participating companies, will derive prime benefit from this crude oil bonus plan, while Western Hemisphere sources will enjoy increased markets for relatively low-profit residual fuel oil.

The crude oil bonus is further sweetened by relaxation of the long-standing Mandatory Program restriction on unfinished oil imports. Participating companies will be able to increase their unfinished oil-allowance from 10 percent of the crude they import to 15 percent of the bonus quotas.

Reaction to this proposal on the part of responsible state conservation officials is perhaps best summed up in a letter from Texas Railroad Commission Chairman Jim C. Langdon to Secretary Udall. Said Judge Langdon in part:

"I am amazed that you would propose this scheme as a solution (to air pollution problems) as it will be detrimental to national security, independent producers, the oil industry, the nation's balance of payments position and, as a result, detrimental to the nation as a whole."